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The Internal Revenue Service has announced the following 2000 dollar limits for qualified plans and other tax-favored retirement plans.

	1999	2000
Maximum annual payout from a defined plan at the social security normal retirement age	$130,000	$135,000
Maximum annual contribution to an individual's defined contribution account	$30,000	$30,000
Maximum elective Section 401(k) and 403(b) deferrals	$10,000	$10,500
Maximum amount of annual compensation that can be taken into account for determining benefits or contributions under a qualified plan	$160,000	$170,000
Test to identify highly compensated employees	$80,000	$85,000

The Social Security Administration has announced the 2000 inflation-adjusted dollar tests and limits for Social Security benefits:

Wage Base:	1999	2000
for Social Security Tax	$72,600	$76,200
for medicare	No Limit	No Limit
Earnings Test (amount that can be earned before benefits are cut)		
Age 65-69 ($1 is withheld for every $3 in earnings over this amount)	$15,500/yr.	$17,000/yr.
Under Age 65 ($1 is withheld for every $2 in earnings over this amount)	$9,600/yr.	$10,080/yr.

Marcia S. Wagner, Esq. & Associates, P.C. is pleased to announce that Marcia Wagner has recently authored a complete revision to The Bureau of National Affairs Tax Management Portfolio entitled "Plan Disqualification and ERISA Litigation"; published articles for the Massachusetts Bar Association Taxation Section Newsletter, Law Firm Partnership and Benefits Report, Massachusetts Society of Certified Public Accountants Newsletter, and presented a paper to the American Bar Association at Stanford Law School. She also conducted seminars as follows: The 29th Annual

Pension Trust and Employee Benefits Seminar at University of South Carolina, "Investment Advice v. Investment Education"; Institute for International Research, (New York, NY), "The Next Generation of Client Retention - Enhancing Retention Through Partnership Management"; Jewish Labor Committee, "Cash Balance Pensions Plans: New Directions? New Dangers?"; Lorman Business Center, Inc. (Bedford, NH), "Recordkeeping and Reporting under ERISA"; American Law Institute-American Bar Association -Basic Law of Pensions, Welfare Plans and Deferred Compensation", (Boston, MA), Topics: Participants' Rights for Administrative Claims Procedures and Implementing the Rollover Rules; "Investment Management Institute & Institute of Management & Administration, Inc. (Pasadena, California and New York, New York), "Investment Advice vs. Investment Education: Legal Risks, Opportunities & Dilemmas - How the Law is Evolving"; International Foundation of Employee Benefit Plans-Certificate Series, (Towers Perrin, Voorhees, N.J. and Employee Benefits Certificate Credit Course, New York, NY), "Retirement Plan Basics,"; Wachovia Bank Institutional Trust and Retirement Services Client Conference (Williamsburg, Virginia), "Client Symposium: Investment Education vs. Advice for Retirement Plans"; Lorman Business Center, Inc. (Manchester, NH), "Employee Discharge and Documentation"; and Institute for International Research, Institutional Retirement and Savings Plan Series, (New Orleans, LA), "The 1999 Congress on Defined Contribution Plans". She also was quoted in Massachusetts Lawyers Weekly.

Attorneys Marcia S. Wagner has taught the fall semester course in Pension Law for Bentley College.

Our firm is strongly committed to providing the highest quality legal advice and is dedicated to protecting the interests of our clients.

In the event you desire legal advice, consultation or additional information, please contact Attorney Marcia S. Wagner, Attorney M. Edward Chale, or Attorney Katharine L. Butler.

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"financially uninvolved,"" which typically represents well over sixty percent (60%) of the employee population. Recent studies indicate that, in the case of section 401(k) Employee Benefit Plans, the financially uninvolved group's 401(k) participation and investment decisions vary tremendously with the way that the 401(k) participation and investment options are presented to the plan participants. The findings from these studies strongly suggest that current 401(k) Employee Benefit Plans are not optimally designed to meet the needs of the "financially uninvolved" segment of Employee Benefit Plan eligible employees.

[0012] Specifically, it is presently believed that the problems described above for both the financially involved and the financially uninvolved result from the fact that currently, individuals are either: 1) too involved in the process of selecting investments and frequently do so by choosing investments based on the recent performance of individual investment vehicles; 2) do not save appropriate amounts to meet their goals, including retirement; or 3) more often, they feel they do not have the time, interest, and/or expertise to make appropriate investments or structure appropriate savings plans.

[0013] The above described individual-investor behavior is in contrast to institutional investors, who recognize the importance of appropriately funding for future liabilities, and then determine an appropriate funding policy and asset allocation model to best fund future liabilities, and only then select investment vehicles based on the ability to implement the model allocation-thus recognizing that money management (e.g., security selection) is of secondary importance for passive, long-term investors.

[0014] The process described above as used by individuals typically results in inadequate funding levels (low savings rates) and inappropriate investment including suboptimal allocations. Specifically, it is presently believed that the problems described above for both the financially involved and the financially uninvolved result from the fact that, currently, the process of carrying out the necessary steps to appropriately save, as outlined above, is still too overwhelming for even the financially involved, much less the financially uninvolved.

[0015] It is presently believed that one of the possible reasons for the inadequate savings situations, as describe above, is that saving for the future is typically something that is put off until tomorrow, especially by financially uninvolved investors and especially, by individual Benefit Plan participants in the absence of effective investment assistance. In the case of Employee Benefit Plans lack of participation by eligible employees, it has been and is presently a persistent problem that Benefit Plan sponsors face with the implementation of Benefit Plans. Benefit Plan sponsors are all too familiar with employees who always intend to enroll in the Benefit Plan, but somehow never quite get around to submitting the authorization that will enable the Benefit Plan sponsor to deduct the contributions (savings) from the employees pay on a regular basis. Various academic studies and consulting reports indicate that somewhere between one-quarter and one-third of 401(k)-eligible employees do not participate in their company-sponsored 401(k) Benefit Plan. (See, for example, Poterba, Venti and Wise (1994), Andrews (1992), and Bassett, Fleming and Rodrigues (1998) for academic studies and Fidelity Investments (1999) for a consulting report.

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[0016] One of the main reasons given by individual investors for nonparticipation in Benefit Plans for which they are eligible is that the process of optimally making a decision to start any savings plan, including participation in a 401(k) plan is complicated, as viewed by the average potential Benefit Plan participant or eligible participant. Studies by psychologists have shown that increasing the complexity of a decision-making task leads individuals to defer making a decision or to procrastinate and such appears to be prevalent among the average potential Benefit Plan participants.

[0017] It is presently believed that there are at least two sources of complexity in starting any savings program, such as, for example, Benefit Plans, including making the initial decision to "opt in" as a plan participant and then making an optimal 401(k) Benefit Plan investment allocation decision. First, the shear number of possible investment allocation options to be evaluated by individual investors is enormous. Each individual investor must first choice what fraction of their compensation or other income to contribute (savings) to the Benefit Plan. With respect to 401(k) Benefit Plans, generally a range of from one percent (1%) to fifteen percent (15%) of an employee's compensation is offered as possible options. Each individual investor must then close how to allocate their contribution (savings). In the case of 401(k) Benefit Plans, there are between, on average, ten or more investment options that are available. Outside a 401(k) Benefit Plan, the investment allocation options are, as a practical matter, unlimited. Even in most 401(k) Benefit Plans there are, quite literally, an infinite number of investment allocation combinations available.

[0018] For the "financially uninvolved" employees, a second source of complexity is learning how to evaluate the myriad of 401(k) Benefit Plan investment allocation options that are available. For example, despite significant investments in employee education, studies show year after year that more than fifty percent (50%) of employees do not even know what a "money market fund" is, much less have the knowledge to intelligently choose from among the myriad of 401(k) Benefit Plan investment allocation options that are available.

[0019] Thus, individual investors may rationally postpone making a decision on savings, including 401(k) Benefit Plan participation, most likely because the cost in time and effort of gathering the information necessary to make an intelligent choose from among the myriad of 401(k) Benefit Plan investment allocation options that are available may exceed the sort-term benefit from making such a decision, as viewed by large numbers of individual investors.

[0020] Recently, some Benefit Plan sponsors have reversed the above described retirement savings procrastination simply by using automatic enrollment in 401(k) Benefit Plans. Under automatic enrollment, individual employees who do not actively request to be excluded from a Benefit Plan are enrolled and a default contribution deferral amount (savings) is automatically deducted from their paycheck (usually 3% of pay) and contributed (saved) to their 401(k) Benefit Plan. The default deferral amount is invested in a default investment vehicle, usually something conservative, such as, for example, a money market or other relatively stable value fund. Individual employees who do not wish to participate in the available 401(k) Benefit Plan must actively submit their election to "opt-out" (rather than to "opt-in") the company sponsored Benefit Plan.

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